



# MAYOR AND COUNCIL AGENDA

NO. 3

DEPT.: Finance /  
STAFF CONTACT: Dominic Del Pozzo

DATE PREPARED: February 16, 2005  
FOR MEETING OF: February 22, 2005

**SUBJECT:** Fiscal Year 2005 Second Quarter Financial Report

**RECOMMENDATION:** Accept the attached Second Quarter Financial Report.

**DISCUSSION:** None

**Options Considered:** N/A

**Fiscal Impact:** N/A

**Change in Law or Policy:** N/A

**Boards and Commissions Review:** N/A

**Next Steps:** N/A

**PREPARED BY:**

A handwritten signature in black ink, appearing to read "D. Del Pozzo", is written over the "PREPARED BY:" label.

Dominic Del Pozzo, Acting Director of Finance

**APPROVED:**

A handwritten signature in black ink, appearing to read "Scott Ullery", is written over the "APPROVED:" label.

Scott Ullery, City Manager

**DATE:**

2/16/05

**LIST OF ATTACHMENTS:**

FY05 Second Quarter Financial Report



City of Rockville

## **MEMORANDUM**

February 13, 2005

TO: Mayor and Council

FROM: Dominic Del Pozzo, Acting Director of Finance  
Susan J. Lander, Revenue Supervisor

VIA: Scott Ullery, City Manager

SUBJECT: 2nd Quarter Report on FY 2005 General Fund and Enterprise Funds Operations

The purpose of this memorandum is to present a report on operations for the second quarter of FY 2005 for the City's General Fund and Enterprise Funds. This memo is organized as follows:

- I. Overview
- II. General Fund Revenues
- III. Assessed Value of Real Property
- IV. General Fund Expenditures
- V. Contingency History
- VI. Capital Projects Fund
- VII. Enterprise Fund Revenues and Expenses
- VIII. Major Variances and Issues to Monitor

The charts in this memo reflect a quarterly comparison of adopted budget and actuals, as well as year-end projections for FY05. The review of this report will coincide with the introduction of the first budget amendment of FY05. NOTE: In order to make FY04 data comparable to FY05 data, accruals have been reversed out of FY04 figures. Therefore, variations due to the change in accrual timing are not an issue in this report.

### **I. GENERAL FUND OVERVIEW**

The status of the General Fund's revenue sources is described in detail in Section II below. As of the end of the second quarter of FY05, the City had collected \$28.4 million compared to \$26.0 million at the same point in FY04, a 9.2 percent increase. Revenues were budgeted to increase 7.6 percent. Section IV outlines expenditures by category and identifies the major variances. As

of the end of the second quarter, expenditures are \$19.4 million, or 7.2 percent ahead of the \$18.1 million spent at this point last year. Expenditures were budgeted to increase 7.0 percent.

One of the City's fiscal targets is to maintain the undesignated fund balance in the General Fund at or above 15 percent of annual revenue. These funds provide a cushion to allow the City to continue to provide services even under the most unanticipated dire circumstances. The chart below shows the estimated fund balance at the end of FY 2005 based on the current projected level of revenue and expenditures. As indicated, the beginning balance was \$9.3 million or 19.5 percent of FY05 budgeted revenue. The estimated fund balance at year-end net of the planned annual contribution to the CIP is slightly less than \$9.1 million or 19.0 percent of budgeted revenue. This represents a variance of \$2.1 million from the target level of 15 percent. As the budget is modified during the year the impact on the estimated fund balance will be indicated.

### General Fund Undesignated Fund Balance

	FY 2005 Budgeted Amount	Percent of Revenue
<b>Balance, 6/30/04</b>	<b>9,259,794</b>	<b>19.5%</b>
Plus: projected revenue	47,048,058	
Plus: designated reserved fund balance	1,334,546	
Less: projected expenditures	47,198,413	
Less: planned annual contribution to the CIP	200,000	
<b>Estimated Balance, 6/30/05</b>	<b>10,243,985</b>	<b>19.0%</b>
Increase (decrease) during FY 2005	( <b>\$200,000</b> )	
<b>Target fund balance</b>	<b>7,140,225</b>	<b>15.0%</b>
Variance from target	<b>3,103,760</b>	

Approximately \$2.5 million of the \$3.1 million variance from the target fund balance is available for one-time uses in the operating budget or CIP. The following items are included in the budget amendment:

- Additional cost for financial system upgrade, \$200,000 (approved in December)
- Additional cost for City Hall renovation, \$200,000
- Increased costs for asphalt and concrete, \$200,000

The following items are other possible one-time uses that may be included in a future budget amendment or the FY06 budget:

- Unreimbursed portion of COPS grant, \$450,000 - \$900,000
- Additional cost for Town Center
- Reappropriation of \$1 million for special planning and development initiatives

## II. GENERAL FUND REVENUES

### Comparison of General Fund Actual to Budgeted Revenue for the Period Ended December 31, 2004

		(1)			(2)		
	FY 2005	FY 2005	FY 2005	FY 2004	FY 2004		
Source	Adopted	Actual	Year-End	Year-End	Actual	(1-2)	
of Revenue	Budget	As of 12/04	Projection	Actual	As of 12/03	Variance	Notes
Property taxes:							
Real property	21,894,000	17,665,653	22,100,000	20,248,076	15,971,875	1,693,778	(1)
Personal property	3,220,000	1,629,393	3,120,000	3,138,850	1,844,665	(215,272)	(2)
Income taxes:	6,456,175	1,963,532	6,456,175	7,019,649	2,195,439	(231,907)	
Intergovernmental revenue:							
Gas vehicle tax	2,158,695	1,133,215	2,250,000	1,991,434	509,427	623,788	(3)
Tax duplication payment	1,698,450	1,698,450	1,698,450	1,259,511	1,259,511	438,939	
Admission/amusement tax	1,139,912	278,411	1,000,000	1,023,395	298,252	(19,841)	(4)
Police protection grants	562,075	293,162	562,075	594,440	248,798	44,364	
Youth services grant	283,390	10,833	294,562	281,819	6,315	4,518	
Cable franchise fee	427,750	99,124	427,750	486,340	109,164	(10,040)	
Other	59,175	29,084	59,175	59,784	27,259	1,825	
Licenses and permits:							
Building permits	1,325,000	493,473	1,100,000	1,179,738	600,081	(106,608)	(5)
Other	486,500	135,824	486,500	524,340	104,635	311,89	
Charges for services:							
Recreation fees	4,476,744	2,127,029	4,200,000	4,177,376	2,119,046	7,983	(6)
PW permit fees	350,000	75,471	250,000	297,171	179,218	(103,747)	(7)
Zoning and planning fees	160,000	120,638	120,638	132,608	79,705	40,933	
Other	234,400	132,543	234,400	257,097	118,065	14,478	
Use of money/property:							
Interest income	150,000	78,812	150,000	118,006	45,893	32,919	
Rental income	140,900	46,080	110,000	114,148	30,363	15,717	
Other revenue:							
Sale of land (includes interest)	-	-	-	-	-	0	
Red Light Camera	600,000	335,625	650,000	256,817	131,347	204,278	(8)
Admin. charges to other funds	1,382,127	-	1,382,127	1,293,327	-	-	
Other	1,396,206	1,133,341	396,206	429,870	118,045	115,296	
Total Revenue**	47,601,499	28,479,693	47,048,058	44,883,796	25,997,103	2,360,144	

\*\* Total Revenue does not include the budget amount for appropriated fund balance. For the FY05 budget, the appropriated fund balance is \$1,334,546.

Notes to Revenue Schedule:

- 1) **Real Property Tax:** The assessable base has risen above what was expected in the FY05 budget, thus the year-end revenue projection is \$206,000 higher than the budgeted figure.
- 2) **Personal Property Tax:** Revenue received at this point is below last year, and it is possible that revenues will fall significantly below budget. But the State processes personal property tax returns at varying rates, so a year-to-date comparison with FY04 may not yield an accurate year-end projection.
- 3) **Gas and Vehicle Tax:** FY05 second quarter revenues are running well ahead of last year, and the Department of Transportation recently confirmed that the City will receive revenue beyond the amount budgeted.
- 4) **Admission and Amusement Tax:** This revenue is received from the State in quarterly payments without major variations. The payments are running about even with FY04, thus the FY05 projection mirrors the FY04 year-end actual figure.
- 5) **Building Permit Revenue:** This revenue is subject to variations, but is unlikely to reach the budgeted figure given the amount collected in the first six months and the anticipated level of construction activity for the remainder of the year.
- 6) **Recreation and Parks Revenue:** The drop from budgeted to projected revenue is mainly due to the elimination of after school childcare programs at Ritchie Park and Lakewood Elementary Schools as well as decreased enrollment in programs at other schools. The after school programs are almost completely revenue supported, thus the changes should have no net impact.
- 7) **Public Works Permits:** This revenue is somewhat unpredictable as it is linked to projects in the public right-of-way that are initiated by private contractors. Revenue expectations will be reduced in the FY06 budget.
- 8) **Red Light Cameras:** Revenues are significantly higher than last year because the City is using higher quality cameras and has changed the location of the cameras.

### III. ASSESSED VALUE OF REAL PROPERTY

	Assumptions in FY 2005 Budget	Assessed Value As of 12/04	Variance
Beginning of fiscal year	7,076,523,774	7,043,517,598	(33,006,176)
New property-beg of year	48,826,640	66,300,000	17,473,360
New property-3/4 year	48,826,640	42,800,000	(6,026,640)
New property-1/2 year	48,826,640	95,100,000	46,273,360
New property-1/4 year	<u>48,826,640</u>	<u>N/A</u>	<u>(48,826,640)</u>
Sub-Total	7,271,830,334	7,247,717,598	(24,112,736)
Timing, appeals or other reductions	(295,306,506)	(150,000,000)	245,306,506
Total	6,976,523,828	7,097,717,598	221,193,770
Associated tax revenue	21,894,000	22,100,409	426,231
Modified Budget		N/A	
Actual, as of 12/31/04		17,665,653	

New property is added to the tax rolls at the beginning of the tax year and the conclusion of the first, second and third quarters of the year. Taxes added mid-year are billed on a pro-rata basis. Only a portion of the anticipated new property was included in budgeted revenue. Based on information provided by the State Department of Assessments and Taxation and Montgomery County, the assessed value of real property at the end of the second quarter had increased just over \$200 million from the value at the beginning of FY05.

#### IV. GENERAL FUND EXPENDITURES

##### Comparison of General Fund Actual to Budgeted Expenditures for the Period Ended December 31, 2004

Expenditure Category	(1)			(2)			Notes
	FY 2005 Adopted Budget	FY 2005 Actual As of 12/04	FY 2005 Year-End Projection	FY 2004 Year-End Actual	FY 2004 Actual As of 12/03	(1-2) Variance	
Personnel							
Salary	25,161,476	12,241,386	25,161,476	23,787,454	11,848,860	392,526	
Fringe Benefits	6,355,329	2,759,884	6,050,000	5,549,650	2,524,687	235,197	(1)
Sub-total	31,516,805	15,001,270	31,211,476	29,337,104	13,620,560	1,380,710	
Contractual Services							
Professional services	2,720,872	572,242	1,720,872	1,456,180	520,308	51,934	(2)
Office expenses	790,504	342,932	790,504	865,062	408,322	(65,390)	
Employment & training	557,907	249,944	557,907	469,092	229,417	20,527	
Maintenance & repair	2,167,365	793,203	2,167,365	1,910,012	791,159	2,044	
Service provision	575,603	265,401	575,603	499,440	242,668	22,733	
Insurance	212,936	212,936	212,936	169,650	169,650	43,286	
Leases	80,695	23,992	80,695	81,121	22,655	1,337	
Sub-total	7,105,882	2,460,650	6,105,882	5,450,557	2,384,179	76,471	
Commodities							
Utility costs	1,448,502	564,752	1,448,502	1,242,729	493,399	71,353	
Supplies	1,987,402	778,976	1,987,402	2,096,467	887,711	(108,735)	
Contingency	432,303	-	-	-	-	-	
Sub-total	3,868,207	1,343,728	3,435,904	3,339,196	1,381,110	(37,382)	
Capital Outlays							
Land & building improvement	-	-	-	-	-	-	
Equipment	501,562	89,565	501,562	377,202	153,172	(63,607)	
Sub-total	501,562	89,565	501,562	377,202	153,172	(63,607)	
Non-operating expenditures							
Disposal of scrap	7,500	-	7,500	4,954	-	-	
Community assistance	14,862	135	14,862	2,714	313	(1,78)	
Outside agencies	865,806	468,903	865,806	914,459	550,838	(81,935)	
Sub-total	888,168	469,038	888,168	922,127	551,151	(82,113)	
<b>Total Expenditures</b>	<b>43,880,624</b>	<b>19,364,251</b>	<b>42,142,992</b>	<b>39,426,186</b>	<b>18,090,172</b>	<b>1,274,079</b>	
Transfers to other funds							
Debt Service Fund	3,833,133	-	3,833,133	3,120,683	-	-	
Capital Projects Fund	1,185,496	-	1,185,496	1,299,000	-	-	
Other funds	36,792	-	36,792	36,792	-	-	
Sub-total	5,055,421	-	5,055,421	4,456,475	-	-	
<b>Total Expenditures and Transfers</b>	<b>48,936,045</b>	<b>19,364,251</b>	<b>47,198,413</b>	<b>43,882,661</b>	<b>18,090,172</b>	<b>1,274,079</b>	

##### Notes to Expenditure Schedule:

- 1) Fringe Benefits:** The City's portion of employee health insurance costs did not increase this year, but the FY05 budget assumed a ten percent increase in these costs.
- 2) Professional Services:** \$1.1 million of prior year surplus funds were budgeted for various planning studies. Most of these funds will not be spent prior to the end of the fiscal year and will need to be rolled over into FY06.

## **V. CONTINGENCY HISTORY**

### **FY 2005**

#### **Contingency History – General Fund For the Period Ended December 31, 2004**

Adopted Budget Contingency Level:		\$432,303
One-time Contingency	\$176,557	
Ongoing Contingency	\$255,746	
Uses of Contingency Funds:		
Washington Metropolitan Council of Govts.		\$15,316
Internal Control Study		\$8,500
Refuse Survey		\$20,200
December 31, 2004 Contingency Level:		\$388,287
One-time Contingency	\$176,557	
Ongoing Contingency	\$211,730	

#### **Future Uses of Contingency:**

None Anticipated

## **VI. CAPITAL PROJECTS FUND**

Expenditures of \$13.5 million were recorded as of the second quarter of FY 2005. Major projects on which funds were expended during the quarter included Town Center redevelopment, traffic calming and pedestrian safety projects throughout the City, and concrete improvements and asphalt pavement maintenance.

The major issue in the CIP is the cost of the Town Center parking garages. Costs have increased from the amount anticipated at the time that the last financing plan was developed. However, additional revenues to be received from outside sources are expected offset that increase significantly. Revised information will be forwarded to the City's financial advisors so the impact of this cost increase on debt service costs and the gap between available revenue and expenses can be ascertained.



## VII. ENTERPRISE FUNDS REVENUES AND EXPENSES

Note: Expenses include non-cash outlays such as depreciation

### Water Fund Comparison of Actual to Budgeted Revenue and Expenses For the Period Ended December 31, 2004

	(1)			(2)			
	FY 2005 Adopted Budget	FY 2005 Actual As of 12/04	FY 2005 Year-End Projection	FY 2004 Year-End Actual	FY 2004 Actual As of 12/03	(1-2) Variance	Notes
Revenues							
Charges for Services:							
Utility Charges	3,560,860	1,635,013	3,300,000	2,952,304	1,548,146	86,867	(1)
Water Connections	791,200	69,800	257,000	327,587	215,987	(146,187)	(2)
Sales of Materials	126,000	16,624	26,000	74,734	46,038	(29,414)	(3)
Interest Income	21,452	25,790	40,000	46,466	34,453	(8,663)	
Miscellaneous Revenues	2,987	-	-	2,987	-	-	
Other Financing Sources:							
Transfers Other Funds	411,860	-	411,860	340,580	-	-	
Total Revenues	4,914,359	1,747,227	4,034,860	3,744,658	1,844,624	(97,397)	
Expenses							
Personnel	2,030,289	979,378	2,030,289	1,926,918	910,442	68,936	
Operating	1,088,409	429,810	1,088,409	915,384	460,756	(30,946)	
Capital	306,221	118,461	306,221	184,892	125,288	(6,827)	
Debt service, transfers and other	1,616,369	115,383	1,616,369	1,694,631	1,122,525	(7,142)	
Total Expenses	5,041,288	1,643,032	5,041,288	4,721,825	1,619,011	432,651	
Net Income/Loss	(126,929)	104,195	(1,006,428)	(977,167)	225,613	(530,048)	

#### Notes to Water Fund Schedule:

- 1) **Utility Charges:** Water production is running at about the same low level as it did last year, thus the main source of revenue growth is the increase in the water rate.
- 2) **Water Connections:** The budget was based on expectations of developments that were later delayed to the point where connection charges may not be received until FY06 or FY07.
- 3) **Sale of Materials:** This revenue is generated from the sale of water meters for new or renovated homes. While the current projection is well below budget, there will be an offsetting savings in expenses because the City has the unsold meters in inventory.

**Sewer Fund Comparison of Actual to Budgeted Revenue and Expenses  
For the Period Ended December 31, 2004**

		(1)			(2)		
	FY 2005	FY 2005	FY 2005	FY 2004	FY 2004	(1-2)	
	Adopted	Actual	Year-End	Year-End	Actual		
	Budget	As of 12/04	Projection	Actual	As of 12/03	Variance	Notes
<b>Revenues</b>							
Charges for Services:							
Utility Charges	5,718,718	2,631,458	5,350,000	4,967,232	2,526,450	105,008	(1)
Sewer Connections	864,000	65,800	264,000	332,887	209,837	(144,037)	(2)
Interest Earnings	34,515	24,024	48,000	42,756	31,816	(7,792)	
Miscellaneous Revenues	3,261	-	3,261	3,261	-	0	
<b>Total Revenues</b>	<b>6,620,494</b>	<b>2,721,282</b>	<b>5,665,261</b>	<b>5,346,136</b>	<b>2,048,661</b>	<b>672,621</b>	
<b>Expenses</b>							
Personnel	1,029,141	471,653	1,029,141	821,754	421,371	50,282	
Operating	2,494,510	569,503	2,494,510	2,219,220	960,472	(390,969)	
Capital	1,796	-	1,796	-	-	-	
Debt service, transfers and other	1,805,463	114,294	1,805,463	1,602,563	1,001,110	141,844	
<b>Total Expenses</b>	<b>5,330,910</b>	<b>1,155,450</b>	<b>5,330,910</b>	<b>4,643,537</b>	<b>1,481,953</b>	<b>(326,503)</b>	
<b>Net Income/Loss</b>	<b>1,289,584</b>	<b>1,565,832</b>	<b>334,351</b>	<b>702,599</b>	<b>566,708</b>	<b>999,124</b>	

Notes to Sewer Fund Schedule:

- 1) **Utility Charges:** Sewer bills are based on water usage, which remains at last year's low level. As with the water charges, the only source of growth in sewer revenue is the increase in fees.
- 2) **Sewer Connections:** The budget was based on expectations of developments that were subsequently delayed to the point where connection charges may not be received until FY06 or FY07.

**Refuse Fund Comparison of Actual to Budgeted Revenue and Expenses  
For the Period Ended December 31, 2004**

	(1)			(2)			
	FY 2005	FY 2005	FY 2005	FY 2004	FY 2004	(1-2)	
	Adopted	Actual	Year-End	Year-End	Actual		
	Budget	As of 12/04	Projection	Actual	As of 12/03	Variance	Notes
<b>Revenues</b>							
Charges for Services:							
Utility Charges	4,521,382	2,175,090	4,521,382	4,128,978	1,903,339	271,751	
Interest Earnings	-	1,470	2,000	4,968	2,163	( 693)	
Miscellaneous Revenues	-	-	-	-	-	-	
Other Financing Sources:							
Transfers From Other Funds	36,792	-	36,792	36,792	-	36,792	
<b>Total Revenues</b>	<b>4,558,174</b>	<b>2,176,560</b>	<b>4,560,174</b>	<b>4,170,738</b>	<b>1,905,502</b>	<b>271,058</b>	
<b>Expenses</b>							
Personnel	2,916,552	1,325,685	2,916,552	2,603,090	1,303,122	22,563	
Operating	1,319,709	556,560	1,319,709	1,127,964	536,764	19,796	
Capital	13,466	-	13,466	4,987	-	-	
Debt service, transfers and other	883,281	8,629	883,281	834,657	4,384	4,245	
<b>Total Expenses</b>	<b>5,133,008</b>	<b>1,890,874</b>	<b>5,133,008</b>	<b>4,570,698</b>	<b>1,844,270</b>	<b>46,604</b>	
<b>Net Income/Loss</b>	<b>(574,834)</b>	<b>285,686</b>	<b>(572,834)</b>	<b>(399,960)</b>	<b>61,232</b>	<b>224,454</b>	

Notes to Refuse Fund Schedule:

Refuse Fund revenues and expenses are on track to meet budget expectations, but the budgeted net loss is greater than the accumulated prior year surplus. The result will be a small year-end deficit. This deficit will expand before it can be eliminated through rate increases. The cash flows will be presented during the February 22<sup>nd</sup> Mayor and Council meeting.

**Parking Fund Comparison of Actual to Budgeted Revenue and Expenses  
For the Period Ended December 31, 2004**

	(1)			(2)			
	FY 2005 Adopted Budget	FY 2005 Actual As of 12/04	FY 2005 Year-End Projection	FY 2004 Year-End Actual	FY 2004 Actual As of 12/03	(1-2) Variance	Notes
<b>Revenues</b>							
<i>Meter Revenue</i>							
Meter Fees	530,700	83,704	130,000	122,757	34,213	49,491	(1)
Meter Violations	459,054	132,735	103,000	202,499	83,970	48,765	(1)
<i>Sub-total</i>	989,754	216,439	233,000	325,256	118,183	98,256	
<i>Parking and Other Revenue</i>							
Parking Lot Receipts	-	-	-	43,534	3,984	(3,984)	
Parking Violations	54,900	78,178	200,000	142,364	51,060	27,118	(2)
Interest Earnings	6,000	9,744	15,000	5,368	2,968	6,776	
<i>Sub-total</i>	60,900	87,922	215,000	191,266	58,012	29,910	
<b>Total Revenues</b>	<b>1,050,654</b>	<b>304,361</b>	<b>448,000</b>	<b>516,522</b>	<b>176,195</b>	<b>128,166</b>	
<b>Expenses</b>							
<i>Meter-Related Expenses</i>							
Personnel	78,264	41,207	78,264	60,954	18,412	22,795	
Other	28,581	4,825	9,000	8,961	668	4,157	
<i>Sub-total</i>	106,845	46,032	87,264	69,915	19,080	26,952	
<i>Parking and Other Expenses</i>							
Personnel	1,264	1,264	1,264	3,146	823	441	
Other	148,544	2,139	148,544	66,885	343	1,796	
<i>Sub-total</i>	149,808	3,403	149,808	70,031	1,166	2,237	
<b>Total Expenses</b>	<b>256,653</b>	<b>49,435</b>	<b>237,072</b>	<b>139,946</b>	<b>20,246</b>	<b>29,189</b>	
<b>Net Income/Loss</b>	<b>794,001</b>	<b>254,926</b>	<b>210,928</b>	<b>376,576</b>	<b>155,949</b>	<b>98,977</b>	

Notes to Parking Fund Schedule:

- 1) **Meter Fees/Violations:** These revenues are falling short of the budget because there are not as many cars parking in metered spaces as was anticipated when the FY05 budget numbers were set. Additionally, meter fees were reduced in the Twinbrook area.

**Stormwater Management Fund  
Comparison of Actual to Budgeted Revenue and Expenses  
For the Period Ended December 31, 2004**

	(1)			(2)			
	FY 2005 Adopted Budget	FY 2005 Actual As of 12/04	FY 2005 Year-End Projection	FY 2004 Year-End Actual	FY 2004 Actual As of 12/03	(1-2) Variance	Notes
<b>Revenues</b>							
Stormwater Permits	200,000	127,717	200,000	432,044	253,898	(126,181)	
SWM Waivers	200,000	705,956	750,000	315,710	233,550	472,406	(1)
Interest Earnings	140,362	52,142	140,362	82,604	140,147	11,995	
<b>Total Revenues</b>	540,362	885,815	1,090,362	830,358	527,595	358,220	
<b>Expenses</b>							
Personnel	416,968	195,360	391,968	382,799	166,289	29,071	
Operating	432,160	69,080	250,000	203,843	101,113	(32,033)	(2)
Capital	-	-	-	-	-	-	
Debt service, transfers and other	248,241	-	248,241	244,249	-	-	
<b>Total Expenses</b>	1,097,369	264,440	890,209	830,891	267,402	(2,962)	
<b>Net Income/Loss</b>	(557,007)	621,375	200,153	( 533)	260,193	361,182	

Notes to Stormwater Management Fund Schedule:

- 1) Waiver fee revenue is well beyond the budgeted amount due to the unanticipated receipt of fees for the Town Center project.
- 2) Projected expenses are below budget mainly because funds for the stormwater management fee study will need to be encumbered this year, but nearly all of the work will be performed next year.

**RedGate Golf Course Fund**  
**Comparison of Actual to Budgeted Revenue and Expenses**  
**For the Period Ended December 31, 2004**

	(1)			(2)			
	FY 2005	FY 2005	FY 2005	FY 2004	FY 2004		
	Adopted	Actual	Year-End	Year-End	Actual	(1-2)	
	Budget	As of 12/04	Projection	Actual	As of 12/03	Variance	Notes
<b>Revenues</b>							
Charges for Services:							
Golf and cart fees	1,407,540	555,393	1,222,572	1,151,069	539,057	(124,272)	(1)
Interest Earnings	-	9	9	5	-	9	
Transfers Other Funds	-	-	-	-	-	-	
<b>Total Revenues</b>	<b>1,407,540</b>	<b>555,402</b>	<b>1,222,581</b>	<b>1,151,074</b>	<b>539,057</b>	<b>16,345</b>	
<b>Expenses</b>							
Personnel	796,932	386,078	661,829	709,671	273,508	112,570	(2)
Operating	350,996	173,030	285,073	275,418	146,183	26,847	(2)
Capital	110,220	840	840	11,993	4,660	16,123	(2)
Debt service, transfers and other	198,682	6,301	298,441	295,099	375	5,926	
<b>Total Expenses</b>	<b>1,456,830</b>	<b>566,249</b>	<b>1,246,183</b>	<b>1,292,181</b>	<b>424,726</b>	<b>161,466</b>	
<b>Net Income/Loss</b>	<b>(49,290)</b>	<b>(10,847)</b>	<b>(23,602)</b>	<b>(141,107)</b>	<b>114,331</b>	<b>(145,121)</b>	<b>(3)</b>

Notes to the RedGate Golf Course Fund Schedule:

- 1) Golf course revenue is running ahead of last year, but is projected to end the year short of the budgeted amount. As a result, budgeted expenses have been reduced as described below.
- 2) Anticipated expenses were reduced in November by laying off two employees and holding another position vacant. Additionally, the Golf Course cut its budget in various non-personnel and capital accounts. These changes were described in a memo that was attached to the first quarter financial report.
- 3) The Golf Fund is budgeted and projected to show a deficit, although it will be smaller than it was in FY04.

## **VIII. MAJOR VARIANCES AND ISSUES TO MONITOR IN FY 2005**

### General Fund:

- Personal Property Tax Revenue: As the projection shows, the City will receive less personal property tax than was budgeted. It is possible that this projection could drop further in the third quarter report. However, gains in real property tax revenue should offset the reductions.
- Building and Public Works Permits: Development activity drives these revenues, and as that activity slows down there will be a continuing impact in these areas.

### Capital Projects Fund:

- Level of expenditures: As indicated in Section VI above, the Town Center project has greatly increased the City's expenditures from this fund. The extent to which the City will need to advance funds for this project in anticipation of future reimbursements has implications for overall financial management.
- Reimbursement for Police Technology expenditures: As mentioned in the budget amendment and previous quarterly reports, the City will probably be required to reimburse the Capital Projects Fund for \$450,000 to \$900,000 for Police Technology Grant expenditures. This reimbursement will come from the General Fund's accumulated prior year surplus.

### Water and Sewer Funds:

- Connection Fees: The Mayor and Council received a detailed memo that explained why revenues would fall so far short of budget. Fewer development projects in the future will have a negative impact on these revenues going forward. They will likely be budgeted significantly lower than they have been in recent years.
- Level of water production: Water usage per household has been going down, and production is lower than it has been for several years. While significant new development covered rising expenses in the past, future increases may have to be covered by increases in rates. A rate study is planned for FY06.
- Sewer Fund costs from WSSC: The City has been notified by WSSC that increased spending at the Blue Plains facility could result in increased City costs in FY 2005 and later years. In addition, WSSC is close to settling with DCWASA (the administrator of the Blue Plains treatment plant) on several large outstanding claims; a portion of this cost will be passed on to the City as well. These additional costs are included in the cash flows that will be presented on February 22<sup>nd</sup>.

### Refuse and Golf Funds:

- In accordance with FY05 budgets and projections, these two funds will show deficits at the end of FY05. The cash flows show how and when each fund will reach a positive cash flow to eventually eliminate their deficits.